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The Impact of Militancy on SMEs in Developing Countries: A Case of the Niger Delta of Nigeria

By Dr. Ignatius Ekanem & Mr. Ayebaniminyo Munasuonyo

Abstract

This study aims at understanding the impact of militancy on SMEs in developing countries with the Niger Delta conflict as a case in point. The study was conducted using a qualitative methodology involving in-depth, semi-structured interviews in eight case study companies and four key informants. The findings suggest that violent agitations have resulted in severe adverse impact such as closures, loss of business opportunities, insecurity and disruptions on oil and gas related SMEs as well as other generic groups of SMEs in the area. The costs of the conflict varied according to business size and sector. The findings also suggest that SMEs responded indirectly to the violent conflict, collaborating with other organisations and other SMEs rather than working alone. The study contributes to the argument that there is a significant association between economic growth and development and the reduction of violent conflict. The implications of these findings along with the limitations of the study are discussed.

Keywords: militancy, insecurity, developing countries, Niger Delta, SME development, entrepreneurship

1. Introduction

Militancy can be defined as an organised and sustained use of physical force that results in injury or death to persons and/or damage or destruction to property (Getz and Oetzel 2010). It may include war, revolution, rebellion, insurgency, and sustained campaigns of violence or terrorism (Oetzel and Getz 2012), but does not include episodic and less organised forms of violence such as crimes (Getz and Oetzel 2010). Militancy can be distinguished from military

action as the former is non-governmental, while the later may be government- sponsored. Militancy can be attributable to several factors including the marginalisation of the people of the Niger Delta, environmental degradation, bad governance and inconsistent policy framework, and the divide and rule policy of the oil companies (Nwogugwu et al. 2012). In other words, it is a form of protest against government corruption, foreign incursions and injustice.

The aim of this study is to unravel the effect of the activities of the militants on small and medium enterprise development in the Niger Delta region of Nigeria and to explore strategies for SME development in the volatile Niger Delta region. This will provide an understanding of the influence of the militant actions on SME development in developing countries and ways of coping with the challenge in terms of strategies. Specifically, the study aims to investigate:

- The ways SME development has been affected by the militants' activities in the Niger Delta region of Nigeria.
- Ways in which SMEs have responded to the conflict in the Niger Delta.

Given the vital role that SMEs play in socio-economic development in terms of job creation and economic growth, there is need to protect or strengthen them (Oyekanmi 2006). Therefore if SMEs are properly supported, it could foster entrepreneurship which is a proven pre-requisite for national economic success. However, due to their small size and meagre financial base, they remain rather vulnerable to external shocks (Ako et al. 2008).

Moreover, there has been little study about the effects of violent conflict on enterprises or business development in developing countries. Most of the research efforts in developing

countries and in the Niger Delta in particular have been focused on the causes of the conflicts, and multinational responses as well as state role in the conflict resolution. These efforts have made little impact on sustaining SME development in these countries.

The presence of oil resources in developing countries presents a huge paradox (Shakleman 2006). On the one hand, it helps to eradicate poverty and build a strong economy as in the case of Texas and Alaska in the nineteenth and mid-twentieth centuries, and East Timor in recent times in 2004. On the other hand, the discovery of oil in the developing countries could be regarded as a curse because the economic rewards are wasted and/or distributed unequally. This is evident in many developing oil-rich countries worldwide, with these countries showing a high incidence of corruption and violent conflict, low scores in education and health services and poor economic strength (Shakleman 2006). One of such countries is Nigeria in the oil rich Niger Delta Region.

Militants' activities in the Niger Delta region of Nigeria has been a source of worry not only to the government of Nigeria but also to the host communities, multinational corporations, and small and medium enterprises (SMEs) operating in the region. The cases of hijacking of vessels (including small crafts carrying passengers), abduction of workers of all kinds as hostages, sea piracy and vandalism of all sorts have been constantly reported in recent times (Renner 2004). The problem escalated with the formation of The Movement and Emancipation of Niger Delta (MEND) which started organised attacks from February 2006 (Eze 2011).

In several economies, the SMEs sector has been recognised as the back-bone, engine-room and catalyst of economic growth and development (Ihua 2005; BIS 2013). SMEs constitute a

major proportion of all the businesses in most countries and play important roles in wealth creation, provision of product and services, job creation, enhancement of better living standards. They also contribute immensely to the GDP of both developed and developing countries (Ihua 2010; Anyadike-Danes, Hart, and Du 2013).

Whilst SMEs in developed countries tend to be negatively affected by internal factor such as poor management abilities and ineffective marketing strategies (Hove and Tarisai 2013), their counterparts in developing countries such as Nigeria tend to face more challenges from external factors such as unfavourable business climate, inadequate infrastructure and lack of support (Ihua 2009).

However, there are many studies linking SMEs with economic growth; as well as associating the pace of SME development with “entrepreneurial environments”. These refer to factors which influence the willingness of individuals to engage in entrepreneurial activities and business start-ups. Apart from personal characteristics of the entrepreneur such as creativity, risk-taking propensities and ability to spot a gap in the market, a stable and peaceful business environment has been identified as a critical factor in SME development (Rettberg et al. 2010).

Therefore, a volatile business environment inevitably leads to high operating costs, reduction in operations and profit margins of companies generally. Thus, it could be argued that business development could be stifled by militant activities, particularly SMEs whose income base might not be robust enough to tackle such hostilities (Okolo 2014). In this regards, the study contributes to the literature that examines the relationship between economic growth and development and the reduction of violent conflict.

The article is structured as follows. It commences with a theoretical framework, exploring SME development and violent conflict in the developing world and in the Niger Delta in particular, followed by the research methodology. The findings are then presented and discussed. Finally, the implications are provided based on the research results.

2. The literature review

2.1 Root causes of the conflict

The root causes of the conflict in the Niger Delta region are varied and require a holistic approach. However, two decades of scholarship in the area have revealed various perspectives on the grievances in the region. The ambivalent response of the Nigerian state has added significantly to the conflict (Obi 2010). The state is determined to preserve the dominant relations of power over oil—backed by global oil and hegemonic powers that seek to securitise the problem in the region in order to justify and legitimise a transnationally backed military solution wrapped by the gloved fist of the Nigerian state (Obi 2010).

The multinational corporations (MNCs) have caused decades of reckless environmental degradation, barefaced economic exploitation, arrogance, insensitivity and mistreatment of the native communities (Ikelegbe 2005). This has contributed to the trend of violence in the region. One of the major factors that determine the economic growth of any nation is investment (Danilovich and Croucher 2015). For an economy to grow some of its current resources must be diverted from consumption to investment (Nwogwugwu et al. 2012). When this is not possible, the alternative is to attract foreign direct investment. However, there is a complex relationship between political risk and MNE firm legitimacy (Darendeli and Hill 2016).

2.2 Costs of conflict

Although the direct costs of conflict have never been measured, testimony suggests that most businesses, whether in large cities or small, rural towns, have been affected in one way or another by attacks on roads, bridges, power-lines, pipelines, public transport, state buildings, police stations and stores (Abdelnour and Banzei 2009). Threats by illegal armed groups and their influence on local authorities and politics, which can affect how local markets behave, also hinder companies (Guagueta 2006).

Entrepreneurs have been affected in several ways by violent conflict, directly and indirectly as they have been kidnapped, extorted, and attacked (Banzei and Abdelnour 2010). They have also faced high transaction costs and have lost merchandise due to destroyed transportation infrastructure, international partners due to an unfavourable business climate, and resources due to high investments in company security and insurance (Rettberg et al. 2010; Guagueta 2006).

The key contribution to understanding the influence of the conflict on private business enterprises has been made in the past (Rettberg 2008; Abdelnour and Banzei, 2009; Banzei and Abdelnour 2010). Rettberg (2008) identifies the following eleven direct and indirect costs of conflict:

Direct costs are:

- Extortion payments
- Threats
- Direct attacks on the company or on employees and

- Decreases in sales as a result of temporary or longer-term shut-downs.

Indirect costs include:

- Loss of business opportunities
- Delays in delivery of goods
- Increases in security and insurance expenses
- Changes in demand and in the market
- Disruptions of the distribution and transport networks
- Opportunity costs
- Taxes.

Although Rettberg's study was conducted in Colombia, it provides a base of evidence that was not previously available and could be used in a similar setting such as the Niger Delta. In her survey, Rettberg tried to establish the impact of conflict by asking about direct and indirect costs of armed conflict to company growth and community relations strategies and suggests the use of a qualitative approach in future research.

One of the survey's main conclusions was that the costs of the conflict have impeded economic activity (Rettberg 2008) and argues that the costs have not been evenly spread (Rettberg 2013). For instance, factors such as company size, sector of the economy, and location has determined how the conflict has affected companies. According to the survey, the majority of Colombian businesses have suffered from indirect costs (e.g., loss of business opportunities, delays in merchandise distribution, opportunity costs, investments in security and insurance, and taxes) rather than direct costs (e.g., kidnappings, extortion, and attacks

against staff and/or operations). Similar indirect costs were identified in Southern Sudan and Darfur (Abdelnour et al. 2008).

Rettberg (2013) also argues that larger companies were more likely to report costs than smaller ones. Businesses with nationwide operations were more likely to pay extortion to illegal armed groups and experience logistical disruptions than were companies with regional or local operations. The results in Rettberg (2013) and Abdelnour et al. (2008) provide a better understanding of the kinds of impacts the Colombian and Sudan armed conflicts has had on economic activity, as well as the types of enterprises and sectors that are most vulnerable (or less exposed and more resilient) to certain costs associated with the conflict. The results also indicate possible links between the impacts of the armed conflict on SMEs.

However, the absence of a study in the Niger Delta conflict's influence on business development following the level of armed conflict in the region has given rise to this study. Though it is believed that militants' actions in the region has led to both direct and indirect costs to businesses, this study will tend to fill the gap by exploring the influence of militancy and ways of coping with the peculiar challenge in the region.

2.3 Firm response to violent conflict

Conflict management and resolution are generally seen as the responsibility of state and international organisations and not of private sector firms (Wenger and Mockli 2003). However, non-business actors such as policy-makers and non-governmental organisations (NGOs) expect private businesses to participate in conflict resolution activities (Oetzel and Getz 2012). Although the role of businesses and managerial and entrepreneurial practices in

restoring peace remains underexplored, theoretically and empirically, a growing number of reports emphasize its practical relevance (Abdelnour and Branzei 2009; Oetzel et al. 2010).

Other research studies (such as Jamali and Mirshak [2010]; Kolk and Lenfant [2010] have looked at firms' willingness to respond or their actual response to violent conflict. More specifically, Kolk and Lenfant (2010) have shown that businesses operating countries such as Angola, the Democratic Republic of Congo, and Lebanon are aware of the connection between business, conflict, and peace. There is evidence that, increasingly, firms feel a responsibility to respond to violence in the countries where they operate (Kolk and Lenfant 2010). Similarly, Branzei and Abdelnour (2010) argue that firms may also be able to reduce the risks they face from violent conflict, and even obtain long-term competitive advantage and/or positive financial outcomes from responding effectively to adversity and conflict.

Therefore, when faced with complex issues such as violent conflict, firms must respond to, engaged with, and try to influence a broader set of actors (Luo 2006). Each of the actors involved may have different views about the violent conflict and the need to resolve it. Therefore, this study seeks to investigate how SMEs contribute towards solving the problem of Militancy in the Niger Delta area of Nigeria by drawing from the insights from the strategic response to risk literature (e.g. Oetzel and Getz [2012]). Oetzel and Getz (2012) suggest that small firms may act indirectly to address challenges related to the conflict and define an indirect approach as involving efforts to mitigate root causes so that the situation becomes less violence-prone or to soften the adverse effects of violence. For example, they may adopt human resource policies or supplementary activities aimed at minimising societal tensions that are a key factor in fuelling civil wars.

Sometimes, companies may actually engage with parties to the conflict to facilitate negotiations, arbitration or mediation between combatants, government leaders, and other groups (Oetzel, Getz, and Ladek 2007). Other tactics that firms may employ in responding to violent conflict include supporting small business development in post-conflict settings through microfinance, skills training, enterprise/market activity (Abdelnour et al. 2008), withholding payments or refraining from selling to those who facilitate conflict (Collier 2007). They also include verifying that participants in the supply chain are not aggravating the conflict and adopting industry codes of conduct aimed at ending conflict (Dunfee and Fort 2003). Engaging in philanthropic activities to aid victims of the conflict (Luo, 2006), supporting educational programmes and implementing training programmes aimed at reducing conflict within the firms (Jamali and Mirshak 2010; Kolk and Lenfant 2010) are also forms of response to militancy.

Oetzel and Getz (2012) argue that firm that respond to violent conflict may act alone or join forces with other groups or organisations. They point out that indirect responses may be undertaken unilaterally or collectively and that the choice may be affected by the firm's need for knowledge, skills, or access that collaboration partners may provide, along with the availability of potential partners. Potential partners include other private sector organisations, non-governmental organisations (NGOs), and even inter-governmental organisations or agencies of the local government. There may also be differences in response patterns, based on the characteristics and geographic location of the conflict (Kolk and Lenfant 2010; Dai, Eden, and Beamish 2013).

Since increasing security and purchasing insurance policies are costly for SMEs and do nothing to solve the problem, Getz and Oetzel (2010) argue that SMEs have a strong

incentive to engage in conflict-reduction activities. They also argue that engagement may help the firm to reduce employee turnover rates, increase the willingness of good employees to relocate, help avoid loss of assets or interruption of cash-flows, reduce risk insurance premiums and improve relations with the community.

2.4 Business strategies in violent/volatile environments

Macro environmental factors impact to a greater or lesser extent on almost all organisations (Grant 2003). It is therefore important to build up understanding of how changes in the macro environment are likely to impact on individual organisations (Johnson, Scholes, and Whittington 2005). In response to armed conflict, international donors have played an important role through pro-peace advocacy to show what businesses can do; making funds and know-how available to share the burden of engaging in activities not directly connected to the core business; and by providing incentives, such as setting up peacebuilding projects as business opportunities (Guagueta 2006).

However, dealing with armed or violent conflict would require varied approaches depending on the nature of the violence (Oetzel and Getz 2012; Branzei and Abdelnour 2010). Tsoukas (2004) indicates that in high-velocity environments, proactiveness is important. Organisations would have to anticipate important shifts in the environment and provide appropriate response once they occur (Dai, Eden, and Beamish 2013). This would require series of management tools but due to the size and limited resources of small business, they do not have the same catalogue of management tools and frameworks as large firms (Abdelnour et al. 2008). This demands a clear focus of the business to ensure that resources are utilized to maximise benefit and that they operate within their capabilities (Welford 2003). Rettberg (2008) suggests that the higher the cost of violent conflict to

business, the more inclined private sector actors will be to proactively support a transition to peace. Nevertheless, there is little or no evidence to support this correlation in the Niger Delta region. Despite the supposed cost of the Niger Delta conflict to business, private sector actors tend to do little to proactively support transition to peace.

In what looks like a holistic view, Switzer and Ward (2004) states that whatever the overall level of engagement, a corporate policy and management framework for addressing the interface between business and violent conflict needs to address three distinct sets of issues - the central management challenges relevant to the business in the light of its relationships with violent conflict; the channels of change for business action to address the multiple relationships between business and violent conflict; and the relevance of insights from the wider CSR agenda on the overall management tools, skills and approaches to underpin effective engagement. Although Switzer and Ward's approach appears holistic, it looks too broad to be applied.

Dealing with armed conflict in business in the perspective of SMEs is special due to the peculiar nature of SMEs and their perceived relevance in the economy and society building (Abdelnour and Branzei 2009). Berry, Rodriguez, and Sandee (2001) suggest that being less reliant on formal markets and formal credit, SMEs are able to respond more quickly and flexibly than their larger counterparts to sudden shocks. On the contrary, Guagueta (2006) argues that typically, large firms can afford to pay for private security and insurance, or have access to guaranteed public protection for top managers and assets through extraordinary contributions to local police and military units which SMEs might not afford. SMEs are therefore more vulnerable.

3. Research methodology

3.1 Data collection and procedure

Since the aim of the study is to investigate how militants' activities affect SME development, a qualitative methodology was judged the most appropriate, based on the assumption that individuals construct their own meanings from their experiences (van Manen 1990). In their exploratory empirical analysis of how firms respond to violent conflict, Oetzel and Getz (2012) suggest that qualitative research designs would enlighten our understanding of firms' response to violent conflicts. The method involves in-depth, semi-structured interviews and direct observations.

Direct observation involved watching, listening and learning because not all information is produced by informants responding to questions: they may be unsolicited (Ekanem 2007). It provided the opportunity to observe some relevant behaviour, and such observations served as yet another source of evidence in the case study (Yin 2009). It also allowed access not only to what owner-managers said during the interview but also how they said it through symbolic language, including body language. Non-verbal language was found to be of equal importance as real feelings were constantly communicated, in addition to verbal language, in the language of behaviour. This method, amongst other benefits, enabled the aims of the research to be more effectively achieved. It also enhanced the richness and depth of the data collected despite the small sample size.

The case study firms consisted of 8 small companies; 4 were from the oil sector while the other 4 were from the non-oil sector. The firms were located in various parts of the Niger Delta region as indicated in Table 1. Three militants were interviewed for the study. Interviews with the business owners lasted for one and half hours, while those with the militant lasted for forty-

five minutes. An Enterprise Agency executive was also interviewed as a key informant and the interview lasted for about an hour. The Enterprise Agency executive also acted as a ‘gatekeeper’ (Stockport and Kakabadse 1992).

The businesses in the oil sector included, marine transport, supplies and logistics, oil products marketing, while those in the non-oil sector included hairdressing salon, trading/merchandising, communication and general contracts. Participants were purposively selected through the help of the gatekeeper. Snowball sampling technique was also used in line with Robson’s (2002) argument that snowball sampling is useful when there is difficulty in identifying members of the population. Given that there is inadequate data base in Nigeria as typical of most developing nations, it was difficult to ascertain the population of SMEs in the Niger Delta that would have enabled the use of probability sampling or even quota non-probability sampling.

The interviews were divided into three parts. The first part of the interview was to explore the initial boundaries for the research as well as to provide details of the SME’s background. This section was not conducted with the militant because of obvious safety or security issues. The section also focused on the profile and nature of business of the SMEs, turnover and the number of paid employees. This helped to reveal the major issues of the research as well as building rapport with the interviewees (Ekanem 2007).

The second and the third sections of the interview were to understand the interviewees’ general feelings about the Niger Delta struggle as well as their experiences and understanding of militants’ activities. These helped to reveal their frame of reference when responding to

the main issues such as influences of militants' actions and ways of dealing with the challenge of militancy.

Consequently, the last segment focused in greater detail on the impact of militants' actions on SME and ways of coping with the challenge. Although SME chief executives were the prime focus of attention as the object of the burden of the militants' activities, the militants and enterprise agency executive were also interviewed as key informants. This helped to check conflicting and over-bearing evidence.

The interviews were allowed to flow as a conversation around influence of militants' activities and strategies for SME growth and development in the Niger Delta. Respondents were allowed freedom in their response and were encouraged to elaborate on their comments by probing gently. The aim was to give the interviewees a good deal of leeway to talk in their own terms (Ekanem 2007; Spence and Rutherford 2001). All interviews were recorded with the permission of the interviewees knowing that materials would be treated as confidential. It was indeed an exciting experience as interviewees really opened up to talk freely. This methodological approach has its origin in ethnography and grounded theory (Corbin and Strauss 2008).

3.2 Data analysis

The qualitative data were collected and analysed using an inductive process of recording, tabulation, coding, and constantly comparing emerging codes and categories with data until meaningful ideas emerged (Yin 2009; Fischer and Reuber 2011). Categories were allowed to emerge according to the topics emphasised by each participant relating to militancy and its impact on their business. The process of analysing the data began as soon as the researcher

started collecting data. It was ongoing and inductive as the researcher was trying to make sense of the data collected (Shaw 1999).

The data analysis utilised a set of techniques such as content analysis and explanation-building technique (Yin 2009). Content analysis involved listening to and transcribing the tapes, reading the transcripts to list the features associated with militancy by each owner-manager and establishing categories which were then developed into systemic typology. These features included the root cause and the cost of conflicts.

Explanation-building technique allowed series of linkages to be made and interpreted in light of the explanations provided by each respondent. For example, the costs of conflict experienced by owner-managers emerged from a comparison of field notes and transcriptions. This technique allowed explanation of the findings to be built around the stories of business owners, enterprise agency executive and militant warlords. For example, body language and tone of voice on certain answers were put into consideration when analysing the information gathered from the interviews. The aim was to build a general explanation based on cross-case analysis.

Within this study, the coding process was inductive rather than being based on a set of preconceived, standardised codes. Categories and sub-categories were produced for indexing and the data derived from the case study firms. The codes took the form of 'code domains' which made explicit key contexts, actions, meanings and relationships (Fisher 2004), based on themes and processes identified from the transcribed interviews, whilst informed by the guiding frame of reference identified in the initial literature review, underpinning the study. The approach to coding allowed for ongoing modification of, and adjustment to, the

framework which made up the codes as the research in the case studies unfolded. Moreover, this overall coding framework was a hierarchical ordering of the codes, which allows for the conducting of content analysis at different levels of aggregation (Fisher 2004).

The utilisation of the above coding approach allowed for the identification of key informant quotes which provided particular emphasis to, or context for, understanding a particular development issue within a participant case study firm. Thus, within each case quotes are selected and used to make explicit a key dimension or activity under examination, in order to demonstrate or emphasise the nature and form of involvement of an equipment supplier in the owner manager's investment decision-making process. Use of the overall coding framework allows for contextual identification of relevant explanatory and clarifying quotes.

4. Findings

The transcript of data collected from the interviews with the business owners, militant leaders (Commanders D, E and F) and an Enterprise Agency executive operating in the Niger Delta region were coded using the traditional cut and paste method of coding. The emerging themes from the analysis are as contained below. The profile of the case study companies and the summary findings from the interviews are presented in Tables 1 and 2 and discussed below with reference to Rettberg's costs of conflict from a business perspective (Rettberg 2008, 2013). The oldest firm was 22 years and the youngest was 7 years. The smallest firm had 7 employees and a turnover of £800k; the largest had 60 employees but a turnover of £25k.

(Insert Tables 1 and 2 here)

4.1 Company-specific characteristics and costs of conflict:

The case study firms were asked about the effect of militancy on their businesses. The responses suggest that the costs of the conflict varied according to company size. The following quote from the enterprise agency executive provides the evidence:

‘Although SMEs are generally targeted for extortion, enterprises are of different sizes and levels, you know! Say, if Shell is attacked, the conditions given to Shell will be different from that given to smaller enterprises unless they expect that the payment could come from a larger firm or government.’ [Enterprise Agency Executive]

The owner-manager of Company 1 confirmed that the larger the firm the greater the costs of conflict. This was captured in the quote from the owner-manager of Company 1 below.

‘We are not a micro business by any description and so the cost of the conflict on us is unbearable. Our business development has been badly affected by the militants’ actions. For instance, in our nature of business, we lease out small crafts to oil companies to ease their transportation problems but due to these attacks, the oil companies now involve the military in their transport needs rather than using our boats which are not armed. And constitutionally we are not allowed to carry arms. You know, it is like pushing us away from the business line. So, our income and operations have dropped so much that we barely survive.’ [Company1, Marine Transport, Oil Sector]

Apart from company size, the owner-managers of the case study firms were asked about what other factors mostly determined how the conflict affected SMEs. The sector in which the businesses were located was the most important factor. The oil and gas related SME sector tended to be mostly affected by the conflict. This view was shown in the following quote from the owner of the general contracts company:

‘Well, not all small businesses in the region are affected on the same scale. But any small business that is involved in oil and gas servicing is being directly and badly affected in the region. Some small enterprises have been forced to close down; some have been acquired by others and so on.’ [Company 8, General Contracts, Non-oil Sector]

With respect to location, business owners indicated that the ‘core Niger Delta States were mostly affected. They emphasised that both the upland and riverine areas of the ‘core’ region have been equally affected by the militants’ actions. This point was emphasised by the owner of a hairdressing salon in the following quote:

‘The militants’ matter affects both upland and riverine areas of the core region. No, businesses outside the core area are not affected on the same scale. Location is important.’ [Company 5, Hairdressing Salon, Non-oil Sector]

4.2 The Role of Government and Cost of Conflict:

The owner–managers of the participating companies in the study as well as the key informants were asked about the effect on businesses of the ambivalence role of the Nigerian

state in the armed conflict of the Niger Delta. The owner-manager of the supplies and logistics business reflected on the loss of right to compensation for their land:

'We have lost ownership of our land to the government without compensation. Such compensation can be used for the growth of our businesses. It can also provide start-up finance for new businesses in the area. Our businesses have also shut down as a result of their actions.' [Company 3, Supplies and logistics, Oil Sector]

Similarly, the owner of a trading/merchandising company, in response to the same question, commented on the unfairness of the resource derivation principle and the lack of infrastructure in the region:

'The principle of distribution of resources from oil by government is not fair. Only 13%! That is too small. We could use this money to do businesses in the area. There would be affluence in the region with new businesses springing up everywhere. The lack of infrastructure stifles business development in the area. How can you do good business with no road network, water and electricity?' [Company 6, Trading/Merchandise, Non-oil sector]

A militant interviewed in this study confirmed that the government's actions or inactions have led to the militancy in the first place and extortion payments. He remarked:

'Mostly the issue of militancy is being fuelled by our politicians to pursue their political interest. Normally, the cause is the government. For instance, a wealthier politician who wants a position in the next dispensation can release up to £1m to boys

to buy weapon to carry out any form of attack and extortions so as to protect his political ambition.’ [Commander E, Militant]

Another militant interviewed pointed out the anomaly of the government’s amnesty programme in which several ‘ex-militants’ were sent overseas to participate in skills acquisition programmes that would ensure their re-integration into the society:

‘The government is to blame. They messed up the amnesty programme by neglecting the social infrastructure in the region which was the major cause of the militancy in the first place; the non-inclusion of a good number of ex-militants in the programme and the non-payment of their monthly allowance’ [Commander F, Militant].

4.3 The Role of MNCs and Costs of Conflict:

The participants in the study were asked about the effect of the actions of MNCs on SME development in the Niger Delta region. The response from the enterprise agency executive provided the indication:

‘The multinational corporations are dealing with the situation in the wrong way. They are engaged in payoffs and rewards. And that is quite wrong because it is built on blackmail and violence. The more powerful and well connected a person is, the greater their capacity to blackmail the MNCs and therefore the greater their payoff. This is hardly the approach to lead to a conducive environment for entrepreneurship and SME development and growth.’ [Enterprise Agency Executive]

The owner-manager of the oil products marketing business, in response to the question commented, in an apparent agreement with the enterprise agency executive, that:

'The MNCs has contributed to the appalling situation in the region by the so called appeasement payments. What these do is to make people more corrupt than they already were, rather than create a safer environment for SME development. What is going on here has caused serious disruptions of business activities and insecurity.'

[Company 4, Oil Products Marketing, Oil Sector]

The militant warlord (Commander D), in confirming the role of the MNCs in the conflict, explained how the MNCs ignored people that 'mattered' in the region and accorded recognition to some youths who had more disruptive power on oil production. He said:

'They ignored us and the elders and partnered with some youths and these youths began to cause mayhem, hijacking ships and helicopters, kidnaping MNCs staff and vandalising facilities in order to obtain pay-offs and ransoms from the oil companies'

[Commander D, Militant].

4.4 Loss of business opportunities and opportunity costs:

The participants in the case study firms and key informants were asked about the effect the diminishing foreign direct investment has on SMEs in the region. The enterprise agency executive provided the explanation:

'The kidnappings and violence going on here are too much. Foreign investors do not want to come here anymore. They are scared of coming here and I don't blame them.'

Who wouldn't be! Their coming here used to create opportunities for small businesses in the area.' [Enterprise Agency Executive]

Responding to the impact of the reduced foreign investment on SMEs in the region, the owner-manager of a supplies and logistics company stated:

'There is too much insecurity in the region and therefore foreign investment has reduced drastically. This place [region] has virtually become a 'no-go' area for foreign investments. Small businesses like ours are suffering as a result. There is no money and there is no business opportunity either.' [Company 3, Supplies and logistics, Oil Sector]

4.5 Ways in which SMEs have dealt with the conflict in the Niger Delta

Owner-managers were asked about the contribution of SMEs towards solving the problems of militancy in the region. The responses received included public condemnation of violence, carrying on business as usual, supporting enterprise development, mentoring initiatives, microfinance, refusing to sell to militants, and philanthropy.

(Insert table 3 here)

The first theme that emerged from the interview regarding their contribution towards dealing with challenges was to create an opportunity to get the youth positively engaged. This view was expressed by owner-managers of Companies 3, 4, 5 and 6. The owner-manager of Company 4 commented:

‘What we are doing to help in solving the problem is to provide room for youth engagement which can take their attention away from violent militant activities. There is an adage that says that an idle mind is the devil’s workshop. Engagement of individuals will definitely help reduce militancy in Nigeria Delta region. We support enterprise development by providing skills training.’ [Company 4, Oil Products Marketing, Oil Sector]

Pulling resources together to provide microfinance and setting up a mentoring initiative aimed at transferring management skills to the militants was envisaged by the owner-managers of Companies 1, 4, 7 and 8. According to the owner-managers, this is to compliment the youth engagement programme already mentioned. The owner-manager of Company 8 explained it as follows:

‘We have jointly put resources together to provide microcredit, enlightenment and most importantly mentoring initiatives aimed at transferring small business set-up and management skill sets to militants as a form of engagement. The microcredit helps in supporting grass-root enterprise activities such as agriculture with the potential to develop into a sustainable livelihood’ [Company 8, General Contract, Non-Oil sector].

Engaging in philanthropic activities and involving militants by way of forming or creating strategic partnership ventures with some militants for projects/jobs within the volatile Niger Delta region was mentioned and described variously by the owner-managers of Companies 2, 6, and 8. Asked about how they have dealt with the challenges in the region, the owner-manager of Company 2 responded:

'We engage in philanthropic activities to aid victims of the conflict. We have also created what we call strategic partnership ventures with interested militants. This is to create some projects or jobs within the region. Therefore, rather than destroying the business of the SME they protect it' [Company 2, Catering Services, Oil Sector].

Some of the respondents also pointed out that the government is executing a programme referred to as 'the Amnesty Programme' which is targeted at reintegrating the militants into the main society and economic stream. Specifically, the owner-managers of Companies 3, 6, and 7 indicated that they are supporting the programme because it will give the militants equal opportunity to belong to and be employed by the government. The owner of a catering service also said that they refuse to sell to or serve those who facilitate the conflict.

Other firms (e.g. Companies 2, 3, 5 and 6) indicated that they contribute to peace in the region by simply continuing in their normal business activities and by publicly denouncing violence.

5. Discussion

The paper aimed to understand the impact of militancy on SME activities in developing countries with reference to the Niger Delta region of Nigeria. It identifies the direct costs of the conflict which include threats, direct attacks on the company, and decrease in sales and closures, whilst the indirect costs include loss of business opportunities, changes in demand and disruptions in transport networks.

Company-specific characteristics such as company size, sector and location suggest differences in how entrepreneurial activity is affected by the armed conflict in the Niger

Delta. Those who reported severe impact included larger enterprises. These categories of SMEs were more prone to becoming victims of extortion and other forms of attack. These actions led to closure of business units and losses as well as folding-up of enterprises. In Rettberg (2008), larger companies were also more likely to report costs associated with armed conflict than were smaller ones.

In contrast, smaller SMEs or micro businesses were not subjected to the same level of militants' actions as their larger counterparts. This does not mean that small size functioned as a buffer of militants' attacks (Rettberg, 2010). This supports Eze (2011) assertion that market women, petty traders, fast food sellers and other small businesses have witnessed a downturn in their operations. It is also consistent with Rettberg (2013) which indicates that smaller companies in Columbia more frequently reported making extortion payments as well as suffering from closures. It is also consistent with Abdelnour et al. (2008) which identified common concerns in both Southern Sudan and Darfur regarding grassroots enterprises.

The impact of the conflict on SMEs also depended on the sector in which the business operated. SMEs in the oil and gas related small business sector tended to be severely affected by the violent agitations of the Niger Delta militants, while other sectors and generic groups have also suffered some mild or indirect costs. This finding is supported by the Colombian conflict study in which companies in the mining, gas, electricity, agriculture and transportation sectors most frequently reported the direct costs related to armed conflict, while financial services and investors reported the least (Rettberg 2008).

The case study firms indicated that the location of the businesses was also an important determinant of the costs of the conflict in relation to the 'core' Niger Delta region that is,

Bayelsa, Delta and Rivers states (Nwogwugwu, Alao, and Egwuonwu 2012). Therefore, businesses which are located outside these core areas were not directly affected by the costs of the conflict. In previous studies, the highest direct costs to the private sector were reported in cities in the country's conflict-affected area, while the capital appeared to be a relatively peaceful oasis for economic activity (Rettberg 2008; Getz and Oetzel 2010; Dai, Eden, and Beamish 2013).

The actions of the Nigerian state result in indirect costs of the conflict such as delays in delivery of goods, increase in security and insurance expenses, disruptions of distribution and transport networks and taxes (Rettberg 2008). A major impact of the action of Nigerian state on SME development is the unjust impact of the Land Use Act (LUA) 1978 on the people of the Niger Delta which results in the loss of right to compensation for the environmental pollution and degradation. Compensation money can definitely provide a good source of developmental and start-up capital for small businesses in the region, given that access to finance is a major problem for SMEs, especially in developing countries (North, Baldock, and Ekanem 2010).

Policy shift in the revenue allocation principle is identified as having a significant effect on the activities and development of SMEs in the region. It is argued that it should be shared on the basis of the ratio of their contribution to the national purse. In the 1970's when the bulk of the revenues came from oil from the Niger Delta region, derivation was increasingly reduced from 50% to three per cent in the 1980's and only increased to 13% in 2001 (Obi 2010). Again, this means lack of finance for business start-ups and support for enterprise development in the region.

The current poor quality infrastructure and epileptic supply of electricity in Nigeria and the Niger Delta region in particular has a major impact on SME development (Nwosu et al. 2013). A number of research studies conducted in Nigeria (e.g. Aina [2007]; Nwosu et al. [2013]) have identified that less than 20% of the Nigerian population have access to stable electricity supply. According to some estimates, the region has generated about \$500 billion in the past 50 years to the Nigerian economy (Obi 2010). This provides a sharp contrast between the amount of wealth generated from the region and its poor state of infrastructure.

Therefore, SME development and sustainability in developing countries can be influenced by the stance the government takes with respect to encouraging people to start and develop their own businesses and through the behaviour of politicians and government officials in their dealing with entrepreneurs and would-be entrepreneurs. This is undoubtedly fundamental and important for developing countries because the way entrepreneurs and would-be entrepreneurs are viewed and treated can be either enabling or constraining (Eze 2011; BIS 2013).

The dynamics and challenges of resource conflicts has compelled the MNCs to provide benefits as a means of dousing the agitation, pacifying the region and creating a safer and more peaceful environment for business (Ikelegbe 2005). However, as demonstrated in the case study interviews, the approach hardly achieves the intended purpose. The challenges of creating and ensuring access to these benefits have fuelled a deadly struggle among various groups of people in the community as each group struggles to prove their relevance and capacity to disrupt the oil economy (Ikelegbe 2005). This action undoubtedly leads to greed and corruption and does not help in empowering youths, entrepreneurs and would-be entrepreneurs for sustainable SME in the Niger Delta region. The actions of MNCs have

resulted in indirect costs of the conflicts such as increase in security and insurance expenses, changes in demand and in the market and opportunity costs as seen in the Columbian conflict (Rettberg 2008).

The crisis in the Niger Delta region arising from the activities of the different militant groups operating in the region has brought about some negative implications on SMEs in the region with respect to foreign direct investments. The kidnapping of foreigners and other forms of attack have the effect of scaring away potential foreign investors and has robbed the region and indeed the Nigerian state of the benefits of such investments and opportunities which small businesses and entrepreneurs could take advantage of (Nwogwugwu et al. (2012). These actions result in loss of business opportunities and opportunity costs as identified in Rettberg (2008). Therefore, there is complementarity relationship between foreign investments and business start-up and development in struggling and developing economies (Thompson and Zang 2015).

The study firms indicated how they were actually dealing with the challenges arising from militancy and their willingness to engage in violent conflict reduction. Some of the responses were, however, not strategic such as providing room for youth engagement and mentoring initiative. This finding was not surprising considering the size of firm and it supports Oetzel and Getz (2012) which states that firms with 100 employees or fewer were significantly less likely to strategically respond to violent conflict since such firms may lack the capacity or resources to respond strategically. However, it must be pointed out that the conflict-mitigating initiatives focused on reducing the negative effects of conflict, rather than actually resolving it (Getz and Oetzel 2010). Therefore, the level of resources devoted to the

initiatives by the firms was minimal. It can also be argued that youth engagement may not necessarily lead to more entrepreneurship.

Other forms of the response to the conflict included the provision of microfinance, philanthropy, public condemnation of violence and continuing business activities as usual. These forms of responses appear to be more strategic and capable of helping to obtain long-term competitive advantage and/or positive financial outcomes (Branzei and Abdelnour 2010).

Finally, it is worth pointing out that the SMEs in the study, who were not able to have a major impact on their own, were collaborating together and with other stakeholders to solve the challenges. The interventions were also not proactively identified and pursued as they were merely peripheral to their core business and they were haphazardly reacting to situations. The initiatives were more effective when they involved the government, NGOs and other SMEs.

6. Conclusion

The key themes emerging in the study are the forms of militants' attacks against SMEs in the Niger Delta, the ways SME development has been affected by these activities and how these challenges are managed by SMEs. The study is not about the rationale of militancy in developing countries. It is about strategies for SMEs growth and development in these countries (Oviasuyi and Uwadiae 2010).

The results of the study provide a better understanding of the impact the Niger Delta armed conflict has on SMEs in the region, how SMEs respond to the militancy, the extent to

which the costs of conflict identified by Rettberg (2008, 2013) are present in the study and the implications for developing countries. The findings suggest that SMEs especially the oil and gas related businesses in the Niger Delta have suffered from both direct and indirect costs of the conflict such as threats, extortion payments, attacks on businesses and employees, loss of business opportunities, security and insurance issues and general disruptions (Rettberg et al., 2010). These costs are similar to those identified in other developing countries such as India, Thailand, Mexico, Southern Sudan and Darfur (Oetzel and Getz 2012; Abdelnour et al. 2008).

The costs of the conflict were concentrated in the ‘core Niger Delta states’ such as Bayelsa, Delta and Rivers states. This supports the finding in Getz and Oetzel (2010) that the costs of conflict may be concentrated in a smaller area, such as the Georgian-Russian conflict, which was geographically confined to South Ossetia. The disruptiveness of the conflict also varied just as the conflict in the Guatemalan Civil War and the civil war in Rwanda (Getz and Oetzel 2010; Dai, Eden, and Beamish 2013).

The findings in this study also suggest lack of finance for SME development and lack of infrastructure such as constant electricity supply, good road network and water supply. These are issues which are also applicable to other developing countries (Muller and Kolk 2015).

With regards to how SMEs deal with, and contribute towards solving, the challenges of Militancy in the Niger Delta, emerging themes from the interviews include the following:

- Supporting small business development;
- Providing microfinance for grassroots enterprises
- Engaging in philanthropic activities;

- Refusing to sell to militants;
- Public condemnation of violence and continuing with business as usual.

These responses may be applicable to other developing countries since the problems facing SMEs and the violent conflicts are similar in developing countries such as Angola, the Democratic Republic of Congo and Lebanon (Jamali and Mirshak 2010; Kolk and Lenfant 2010), Darfur and Southern Sudan (Abdelnour et al. 2008) and Libya (Darendeli and Hill 2016).

6.1 Contribution

One valuable contribution of this study is that it looks at a business activity to which few academic researchers, practitioners or policymakers have direct access. The study also contributes to the work of the few researchers who have looked at costs of conflict (Rettberg 2008; 2013) and strategic response to violent conflict (Oetzel and Getz 2012; Branzei and Abdelnour 2010; Kolk and Lenfant 2010). In particular, it contributes to the argument that there is a significant association between economic growth and development and the reduction of violent conflict (Oetzel et al. 2010). The empirical study demonstrates that there are contributions businesses can make to foster peace and a sense of community.

6.2 Implications for theory and practice

The theoretical implication of the study is that more research is needed in this area to identify costs of conflicts to businesses and to ascertain whether/how firms should respond to violent conflict. The implication for management practice is that firms operating in areas where there is violent conflict should not remain passive and regard themselves as victims, but should be proactive in their response in helping to reduce the conflict. Business managers should be aware of the role that businesses play in the society and should be motivated to

make a positive impact on the communities/regions in which they operate and the country at large.

It should be recognised that firms that voluntarily respond to violent conflict as a first-mover, may achieve a position that strengthens its legitimacy and ultimately leads to a long-term competitive advantage (Oetzel and Getz 2012). When the situation in the country improves, the firm may have advantages stemming from good relations with the community, leading to greater access to preferential opportunities for expansion.

Therefore, relevant support initiatives need to be in place from the state to provide suitable business environment for SMEs to thrive and grow and to maximise the benefits from MNCs and foreign direct investments (Oviasuyi and Uwadiae 2010; Nwosu et al. 2013). These initiatives should be well targeted with a common planning framework. The backing for local SMEs in agriculture and other sectors must be stepped up with available start-up finance which has so far been an obstruction. Therefore, it is time for policy makers to professionally evaluate past support to SMEs, improve program design, pilot new strategies, and then rapidly scale up in order to quickly expand and develop the SME sector in developing countries (Francis, LaPin and Rossiasco 2011; Frynas 2001, 2000).

6.3 Limitations and future directions

As with all empirical research, this study has several limitations that provide avenues for potential future research. Firstly, the study was based on snowballing samples, and thus it is not clear whether the views of the participants represent those of the larger populations. Secondly, due to the sensitivity of the research and the difficulty of identifying the militants, we were only able to interview three militants. Thirdly, there are also issues with the number

of cases as well as the sectors of SMEs considered. There were only 8 firms that were willing to take part in the study. Therefore, a large-scale study would help to demonstrate the wider application of the research results, particularly if it included the Nigeria's informal sector which is exclusively SMEs and account for one-third of GDP (Okolo 2014). We also suggest that future research should explore firm's motivations for their response to the challenges of the conflict and consider how violent conflict resolution activities impact on firms' financial performance.

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